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Report Highlights:

The cattle sector is expected to grow only marginally in 2017. Cattle exports and slaughter are forecast to increase; coupled with heavier carcasses beef production will be on the rise. Beef exports will continue to be supported by a weaker dollar. The hog sector continues on its path of moderate growth, and hog exports are forecast higher in 2017. Pork production is expected to reach a new record volume, while pork exports are estimated steady into 2017, at a record level as well.

Executive Summary:

Cattle & Beef

The cattle herd is anticipated to expand by a meager 1 percent in 2017, following a flat year when inventories only increased by 0.5 percent. The anticipated beginning of an expansion phase in the sector has not materialized in 2016, primarily due to very high live prices in the second half of 2015 which, rather than encouraging retention and growth, had in fact sent ranchers on a selling spree. While inventory data released on July 1, 2016 indicate a 4.5 percent increase (or 28,000 head) in the number of beef heifers retained, and while cow exports are estimated lower in 2016 by 5,000 head, these volumes are offset by an estimated 5 percent increase (or 20,000 head) in cow slaughter. As a result, there are no real prospects for any meaningful growth in the cattle herd in 2017.

Cattle exports are forecast to increase by 2 percent in 2017, as anticipated bumper crops in the United States are likely to translate into abundant supplies of low cost feed, strengthening feedlot demand for Canadian cattle. Beef packers in Canada continue to remain very profitable and Post forecasts for 2017 a 1.5 percent increase in slaughter. Carcass weights are expected to further increase in 2017, although not at the rate seen in 2016. As a result, beef production will expand by an estimated 2 percent. Domestic consumption is also expected to inch higher in 2017, as beef becomes relatively more available and relatively cheaper compared to the past couple of years. Beef exports continue on an upward trend, currently forecast to expand by 5 percent in 2017, following a 10 percent increase in 2016, as the Canadian dollar remains supportive and as it is not expected to strengthen significantly in 2017.

Hogs & Pork

The hog sector continues on its path of moderate growth into 2017. Producers remain cautious as they do not want to put in jeopardy their improving financial situation by launching a full scale expansion. Forecast at 1 percent, growth in the sector remains tempered. In Manitoba, the new regulatory environment is favorable to the construction of new finishing barns; however the process remains slow and Post estimates minimal impacts in 2017. In Western Canada increased demand for feeder hogs in the United States will support exports of weanlings, while available finished hogs will primarily supply the existing slaughter capacity. In Eastern Canada, slaughter capacity is expected to rise in 2017, given recent investments announced by Quebec. Ontario is likely to become increasingly integrated into Quebec's finished hog supply chain, and while some producers will take advantage of these new opportunities, other producers from Ontario are expected to switch from finishing hogs to exporting weanlings.

Pig slaughter is forecast to inch higher in 2017 and, coupled with somewhat heavier carcasses, Post forecasts a second consecutive record year for pork production, after 2016 is now estimated to deliver the highest pork production on record. While domestic demand for pork will remain solid, most of Canada's pork is dependent on export markets. Post forecasts pork exports steady into 2017, given that China is expected to remain a significant buyer and the Canadian dollar to stay supportive. At 1.3 million metric tons in 2016, pork exports are estimated at their highest level on record, with China surpassing Japan to become the second largest export market, and approaching fast the United States which used to be by far the number one destination for Canadian pork.

CATTLE:

Production, Supply and Demand Estimates

CANADA Animal Numbers CATTLE ('000 head)	2015		2016		2017	
	USDA Official Data	NEW Post Data	USDA Official Data	NEW Post Estimates	USDA Official Data	NEW Post Forecast
Total Cattle Beg. Stks	11,920	11,925	11,960	11,995	0	12,100
Dairy Cows Beg. Stocks	954	954	960	959	0	960
Beef Cows Beg. Stocks	3,831	3,831	3,830	3,827	0	3,835
Production (Calf Crop)	4,262	4,298	4,410	4,410	0	4,475
Total Imports	36	36	40	25	0	25
Total Supply	**16,218**	**16,259**	**16,410**	**16,430**	**0**	**16,600**
Total Exports	832	832	750	760	0	775
Cow Slaughter	380	380	375	400	0	390
Calf Slaughter	223	223	200	220	0	225
Other Slaughter	2,303	2,309	2,375	2,430	0	2,485
Total Slaughter	2,906	2,912	2,950	3,050	0	3,100
Loss	520	520	535	520	0	525
Ending Inventories	11,960	11,995	12,175	12,100	0	12,200
Total Distribution	**16,218**	**16,259**	**16,410**	**16,430**	**0**	**16,600**

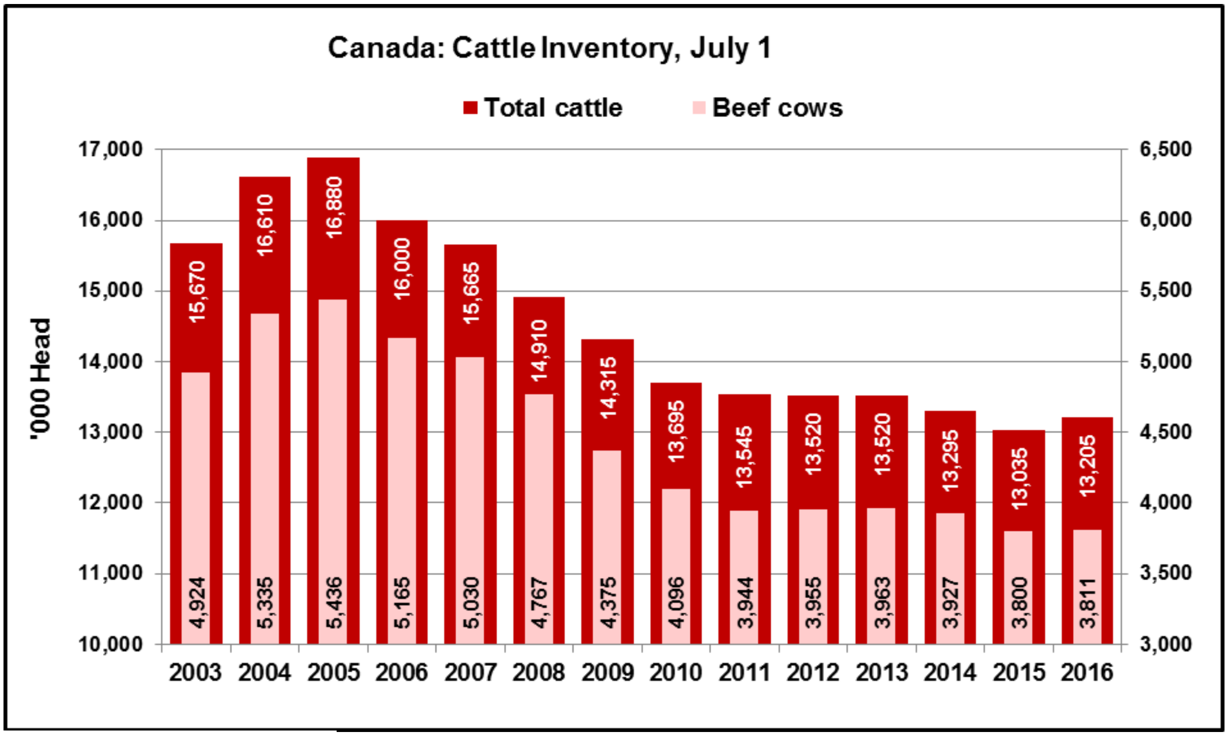
NOTE: "NEW Post" data reflect author's assessments and are NOT official USDA data

Yet another Delay in Canada's Cattle Herd Expansion

Post forecasts a meager 1 percent expansion in the cattle herd for 2017, following a flat year when inventories only increased by 0.5 percent. The anticipated beginning of an expansion phase in the sector has not materialized in 2016, primarily due to very high live prices in the second half of 2015 which, rather than encouraging retention and growth, had in fact sent ranchers on a selling spree.

Inventory data released by Statistics Canada for July 1, 2016 show a modest increase of 1.3 percent in the cattle herd, the first increase since 2004. The inventory data release also indicates a 4.5 percent increase (or 28,000 head) in the number of beef heifers retained, and cow exports are estimated lower in 2016 by 5,000 head. Despite these encouraging trends, all these volumes are offset by an estimated 5 percent increase (or 20,000 head) in cow slaughter in 2016 and by no growth in the beef cow herd: on July 1, 2016 the beef cow herd was only 0.3 percent (or 11,000 head) larger than on the same date in 2015. As a result, all these developments point to the conclusion that there will be no meaningful growth in the cattle sector in 2017.

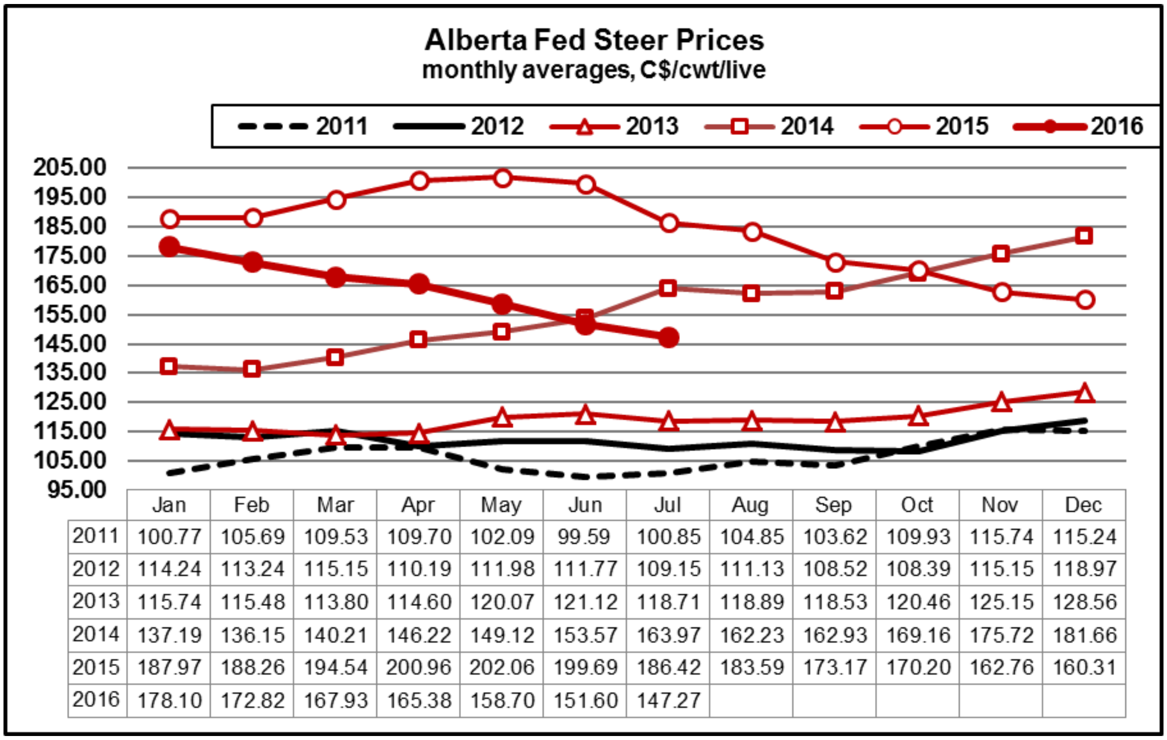
The cattle sector has been waiting for several years for the beginning of an expansion phase. The decline in the cattle herd started back in 2005 and lasted for six consecutive years. Then, a period of consolidation took place between 2011-2013, followed by two years of liquidation in 2014 and 2015. Overall, between January 1, 2005 and January 1, 2015 the cattle herd shrunk by 20 percent, declining by just over 3 million head.



Source: Statistics Canada

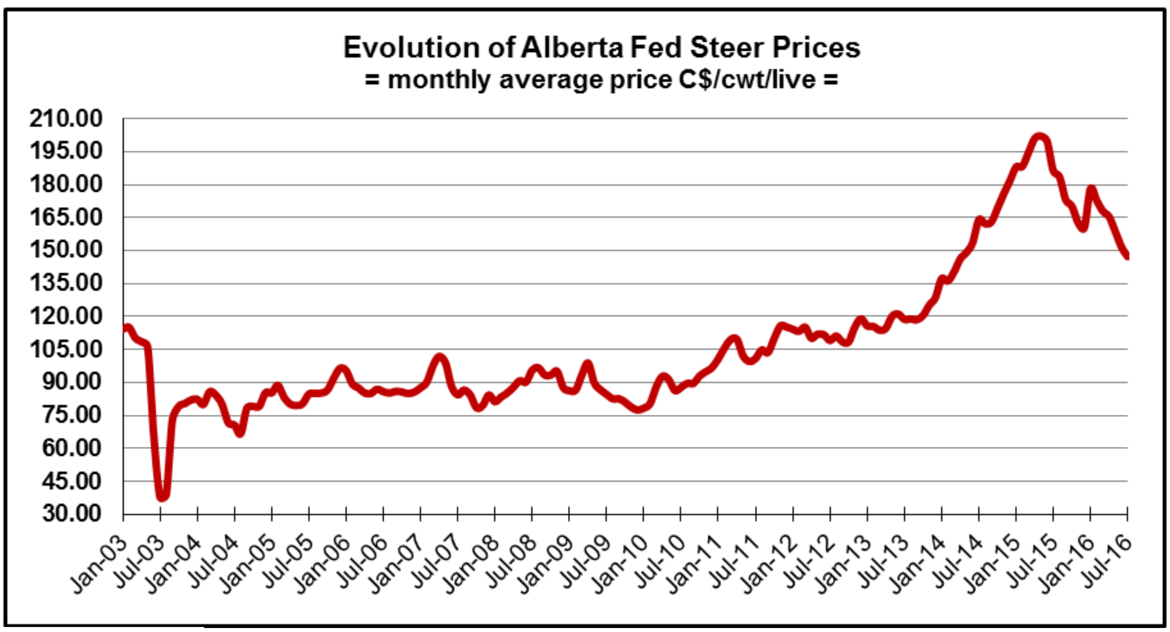
Abundant rains resulted in pasture conditions being excellent in Western Canada this summer, with some farmers reporting three harvests already. Coupled with a decline in live prices, ranchers are likely to keep animals longer on pasture or on hey, which may result in delayed marketings for calves and yearlings. This development and the expectations of abundant and relatively inexpensive feed may translate into increasing live prices into 2017. Currently, the lower prices, especially following the high levels seen in 2015, are in fact encouraging of growth, as ranchers can now afford to buy additional cows and expand their herds.

Live fed cattle prices have continuously declined since the peak recorded in the spring of last year. Although the fall in prices has been relatively significant, by historical norms the current prices are very decent: prices are seen high enough to maintain a strong interest in the cattle sector, yet affordable enough to allow for possible growth. Increased cattle supplies in the United States will continue to put pressure on prices which are not expected to increase in the coming months. This represents good news for Canadian feedlots which took a hit this year given that they purchased feeder cattle at substantially high prices realizing a loss upon selling fed animals. Profitability in the beef packing sector continues to be very strong, which also represents good news for cattle feeders.



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2011	100.77	105.69	109.53	109.70	102.09	99.59	100.85	104.85	103.62	109.93	115.74	115.24
2012	114.24	113.24	115.15	110.19	111.98	111.77	109.15	111.13	108.52	108.39	115.15	118.97
2013	115.74	115.48	113.80	114.60	120.07	121.12	118.71	118.89	118.53	120.46	125.15	128.56
2014	137.19	136.15	140.21	146.22	149.12	153.57	163.97	162.23	162.93	169.16	175.72	181.66
2015	187.97	188.26	194.54	200.96	202.06	199.69	186.42	183.59	173.17	170.20	162.76	160.31
2016	178.10	172.82	167.93	165.38	158.70	151.60	147.27					

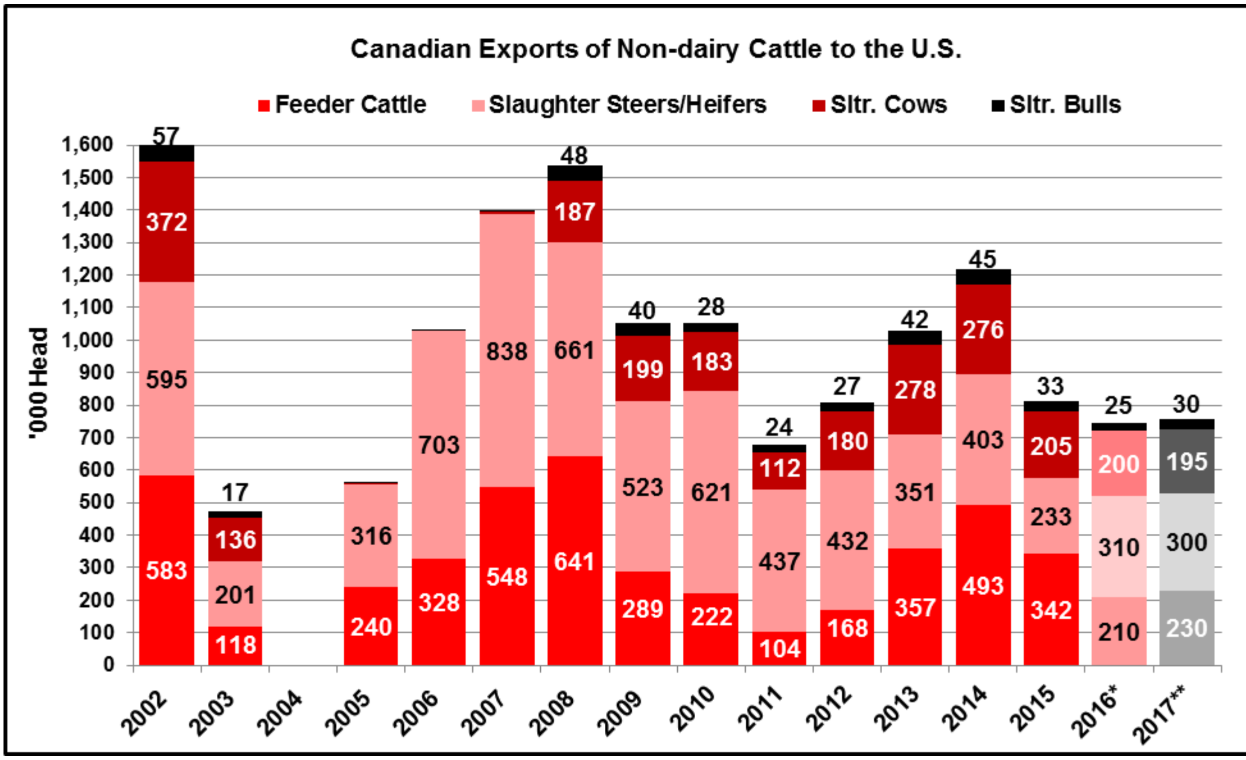
Source: Canfax



Source: Canfax

Cattle Exports Marginally Larger

Post forecasts cattle exports at 775,000 head for 2017, only 2 percent above the estimated level in 2016, which now stands at 760,000 head. Demand from the United States is not likely to be very strong, given plentiful cattle supplies; however, expected abundant and relatively cheap feed south of the border will be supportive of exports. Behind the overall increase in exports, the various cattle categories follow their own specific trends, as explained below.



*Source: Global Trade Atlas / Post *estimate ** forecast*

Beef cow exports to the United States are estimated to further decline in 2017 by 5,000 head from the 2016 level, down to 195,000 head, primarily reflective of reduced supplies and possible expansion decisions. Exports of bulls will increase slightly, as the JBS plant in Brooks, Alberta is not likely to resume their slaughter.

For 2017, Post forecasts exports of slaughter cattle to further decline by 10,000 head, down to 300,000 head, from the 2016 level. This trend is explained by both an expected lower demand in the United States as the cattle sector there is entering another year of sustained expansion, and also by continued supportive contracts anticipated from Canadian packers as their profit margins remain favorable with continued high beef prices.

Finally, Post estimates a 20,000 head increase in exports of feeder cattle for 2017, up to 230,000 head. The prospect of a bumper crops in the United States, which would translate in even lower feed costs south of the border, will further support pulling animals from north of the border. In general, the feed cost disadvantage in Canada is expected to narrow throughout 2017, given that Canada is also looking at record level crops.

BEEF:

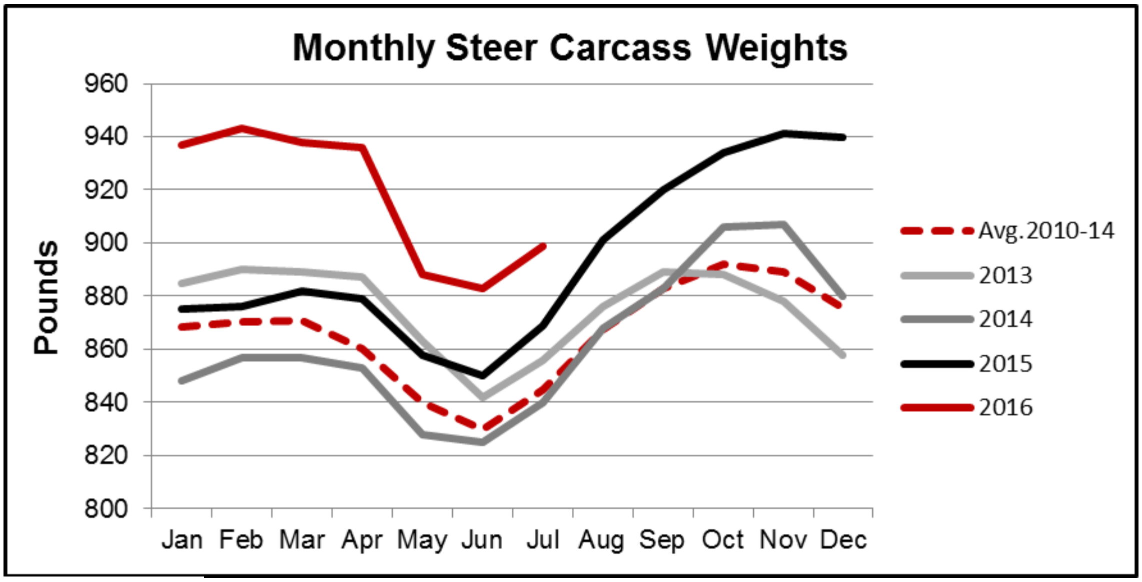
Production, Supply and Demand Estimates

CANADA Meat BEEF and VEAL	2015		2016		2017	
	USDA Official Data	NEW Post Data	USDA Official Data	NEW Post Estimates	USDA Official Data	NEW Post Forecast
Slaughter (Reference)	2,906	2,912	2,950	3,050	0	3,100
Beginning Stocks	33	36	30	42	0	52
Production	1,050	1,045	1,065	1,130	0	1,150
Total Imports	280	280	270	265	0	260
Total Supply	**1,363**	**1,361**	**1,365**	**1,437**	**0**	**1,462**
Total Exports	391	390	415	430	0	450
Total Dom. Consumption	942	929	920	955	0	962
Ending Stocks	30	42	30	52	0	50
Total Distribution	**1,363**	**1,361**	**1,365**	**1,437**	**0**	**1,462**

Data in '000 metric tons, except for "slaughter" which is in '000 head
NOTE: "NEW Post" data reflect author's assessments and are NOT official USDA data

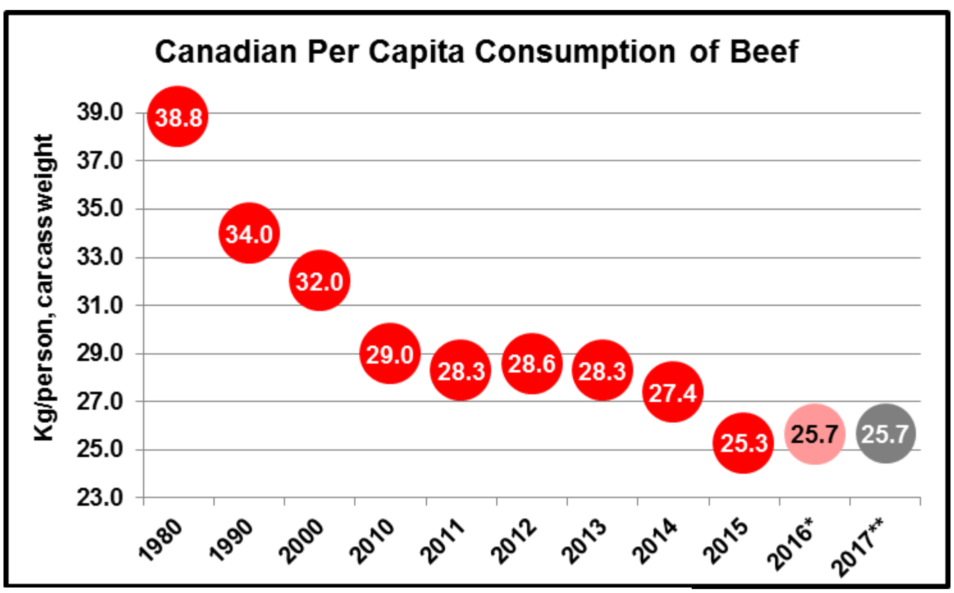
Slaughter and Beef Production on the Rise

Post forecasts the 2017 domestic slaughter at 3,100,000 head or 1.6 percent above the estimated 2016 level, which, at 3,050,000 head is already 5 percent higher than the previous year. Only the cow and calf slaughter is expected to show a modest decline in 2017, which is more than compensated for through increases in heifer and steer slaughter. The overall strength in beef demand and improved profitability in the beef packing sector resulted in sustained contracts with feedlots and the need to keep the slaughter facilities running.



Source: Canfax

Beef production is forecast to grow another 2 percent in 2017, to reach 1,150,000 metric tons (MT), after an estimated 8 percent increase in 2016 that brought production level to 1,130,000 MT. The rise in beef production is the result of both increased slaughter and minor improvements in carcass weights moving into 2017. Starting with 2014, carcass weights have been on a continued upward trend, supported by relatively cheaper feed and the need to add more weight to a limited number of available slaughter animals, as beef demand remained strong. Average annual carcass weights increased by 3.6 percent between 2015 and 2014, and are estimated to grow by another 3 percent in 2016.

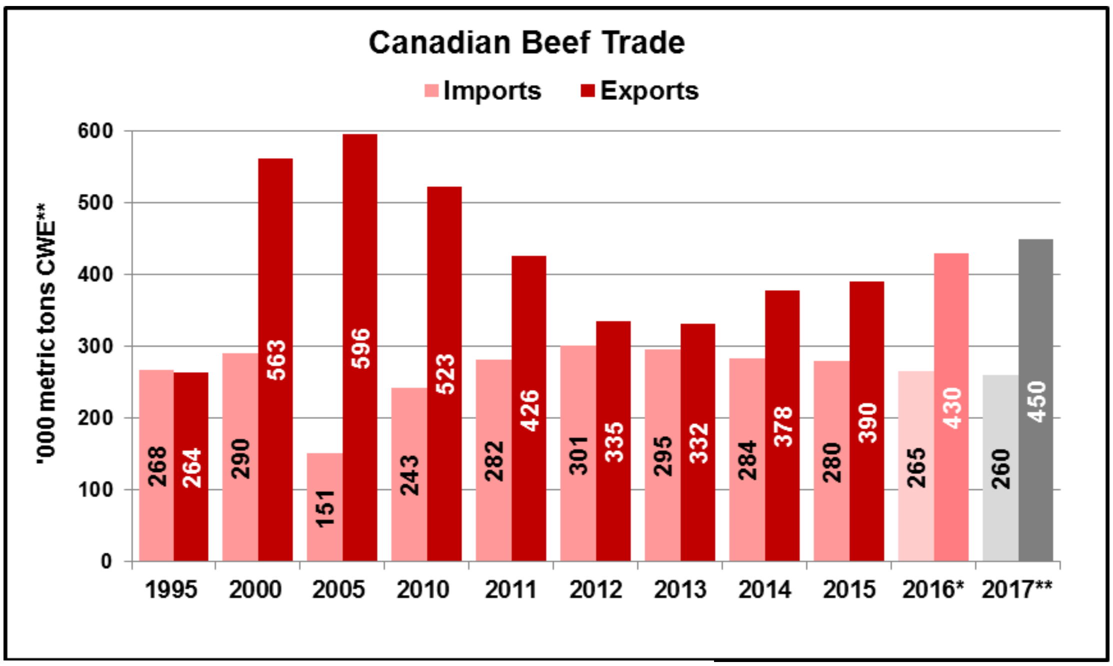


*Source: Statistics Canada / Post *estimate **forecast*

Beef consumption in Canada is expected to continue flat into 2017, both overall and on a per capita basis. Limited supplies over an extended period of time have resulted in record high retail beef prices. Given these new price levels, the drop in consumption is not as strong as it could have been expected, showing that consumers continue to appreciate beef and are willing to pay for it. That being said, estimated at 25.7 kg/person, beef consumption in 2017 would be at its second lowest level since 1970, with a number of consumers moving away from beef into other relatively cheaper sources of animal protein, such as pork. At 25.3 kg/person beef consumption in 2015 was at its lowest in 45 years.

Beef Exports on the Rise Again

Post forecasts 2017 beef exports at 450,000 metric tons (MT), or 20,000 MT above the 2016 estimated level. The weaker Canadian dollar coupled with strong demand on export markets are behind this trend. The United States remains the primary export destination for Canadian beef, with Mexico and several Asian markets, including Korea which lifted a temporary BSE-related ban on Canadian beef, accounting for most of the balance. Of interest to note are increasing volumes of halal beef moving to Saudi Arabia, which although a small market at this point, it has steadily grown over the past three years.



*Source: Global Trade Atlas / Post *estimate **forecast*

Imports of beef are forecast to decline modestly in 2016, down 5,000 MT to a total of 260,000 MT. In general, a weaker Canadian dollar is not supportive of large import volumes. However, in the context of limited domestic supplies, there is pressure to bring in from abroad specific cuts in need. The United States, as a traditional supplier of beef to Canada, remains the primary import market, however with a declining share in the total volume due to high prices and shortages on their own market. In 2016, Canada continued to maintain high levels of imports from Australia, New Zealand and Uruguay, which all gained market share as they supplied increased amounts to satisfy the domestic demand. Of interest to note is Brazil, which saw a very significant increase in its beef shipments to Canada.

Canada: Beef Imports, January - June (metric tons, CWE*)							
	Quantity			% Market Share			% Change
	2014	2015	2016	2014	2015	2016	2016/2015
World	**142,173**	**144,694**	**137,919**	100.00	100.00	100.00	**- 4.68**
United States	89,726	80,375	74,910	63.11	55.55	54.31	- 6.80
Australia	20,719	29,601	26,638	14.57	20.46	19.31	- 10.01
New Zealand	12,801	16,681	15,251	9.00	11.53	11.06	- 8.57
Uruguay	15,976	16,004	14,238	11.24	11.06	10.32	- 11.03
Brazil	2,425	732	4,312	1.71	0.51	3.13	488.65
All other countries	526	1,301	2,570	0.37	0.90	1.86	97.54

Source: Global Trade Atlas / *Conversion to carcass weight equivalent (CWE) at 1.4 for fresh, chilled and frozen meat, and at 1.79 for salted and processed meat

Canada: Beef Exports, January - June (metric tons, CWE*)							
	Quantity			% Market Share			% Change
	2014	2015	2016	2014	2015	2016	2016/2015
World	**183,016**	**182,658**	**203,613**	100.00	100.00	100.00	**11.47**
United States	142,367	145,911	163,955	77.79	79.88	80.52	12.37
Hong Kong	12,764	7,810	12,482	6.97	4.28	6.13	59.83
Japan	7,850	8,055	9,257	4.29	4.41	4.55	14.92
Mexico	10,420	9,058	7,083	5.69	4.96	3.48	- 21.81
China	4,892	7,332	3,682	2.67	4.01	1.81	- 49.79
Korea South	641	696	3,455	0.35	0.38	1.70	396.29
Saudi Arabia	674	1,129	1,575	0.37	0.62	0.77	39.49
All other countries	3,408	2,667	2,124	1.86	1.46	1.04	-20.36

Source: Global Trade Atlas / *Conversion to carcass weight equivalent at 1.4

HOGS:

Production, Supply and Demand Estimates

CANADA Animal Numbers SWINE ('000 head)	2015		2016		2017	
	USDA Official Data	NEW Post Data	USDA Official Data	NEW Post Estimates	USDA Official Data	NEW Post Forecast
Total Beginning Stocks	13,165	13,150	13,260	13,240	0	13,360
Sow Beginning Stocks	1,195	1,197	1,215	1,217	0	1,225
Production (Pig Crop)	28,630	28,623	29,100	29,100	0	29,400
Total Imports	6	6	5	5	0	5
Total Supply	**41,801**	**41,779**	**42,365**	**42,345**	**0**	**42,765**
Total Exports	5,773	5,776	6,100	5,900	0	6,050
Total Slaughter	21,350	21,348	21,450	21,650	0	21,850
Loss	1,418	1,415	1,435	1,435	0	1,440
Ending Inventories	13,260	13,240	13,380	13,360	0	13,425
Total Distribution	**41,801**	**41,779**	**42,365**	**42,345**	**0**	**42,765**

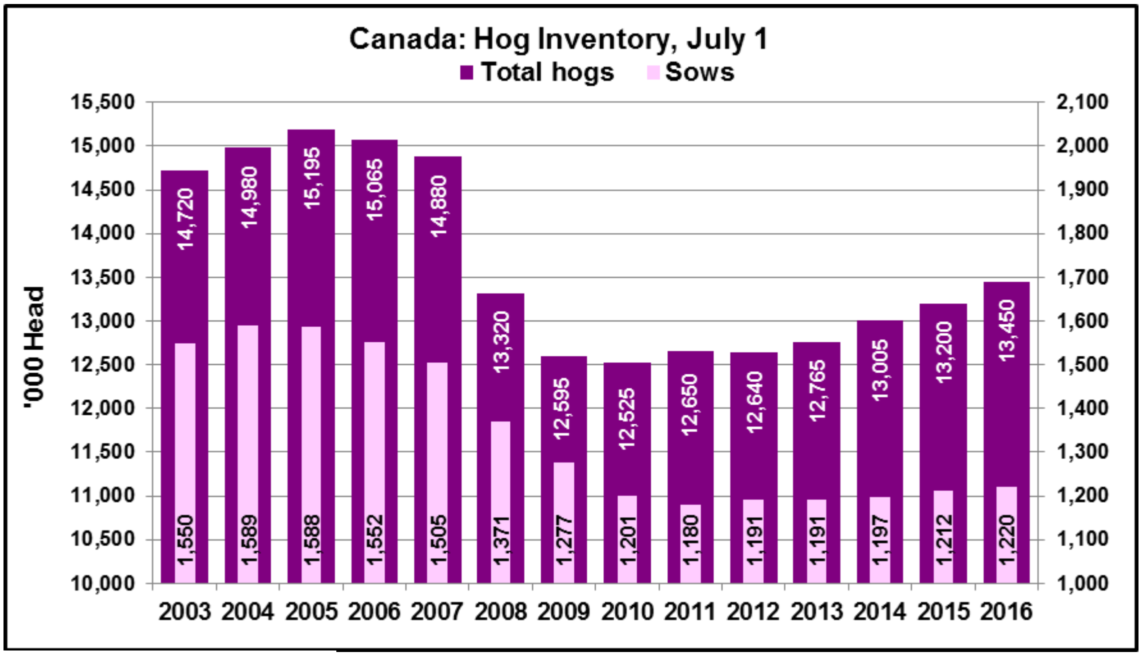
NOTE: "NEW Post" data reflect author's assessments and are NOT official USDA data

Moderate Growth to Continue for another Year in the Hog Sector

The hog sector continues on its path of moderate growth into 2017. Forecast at 1 percent increase in total hog inventories and 0.7 percent increase in the sow herd, growth in the sector remains tempered. Producers remain cautious as they do not want to put in jeopardy their improving financial situation by launching a full scale expansion, particularly given the sustained growth observed in the United States, which some here view as over-optimistic.

In Manitoba, the new regulatory environment is favorable to the construction of new finishing barns; however the process remains slow and Post estimates minimal impacts in 2017. At this time, only a handful of investment projects have actually been submitted and are at various stages of approval. Construction may only begin in the second half of 2017, the earliest, and finished hogs may only hit the market at some point in 2018. At the same time, Post learned that few producers are switching from weanling production to finishing hogs, a move that will add much needed finished hogs to the insufficient supply in the province.

In general, in Western Canada, increased demand for feeder hogs from the United States, where the construction of new finishing barns and market hog production is growing rapidly, will support exports of weanlings. Available finished hogs in Western Canada will primarily supply the existing slaughter capacity, and provinces like Saskatchewan and Alberta are expected to increase their production at rates above the average. However, and despite any growth, slaughter capacity in Western Canada will continue to exceed by a large volume the available supply, and pork plants like the one in Brandon, Manitoba will continue to rely on market hogs from Eastern Canada (specifically from Ontario).

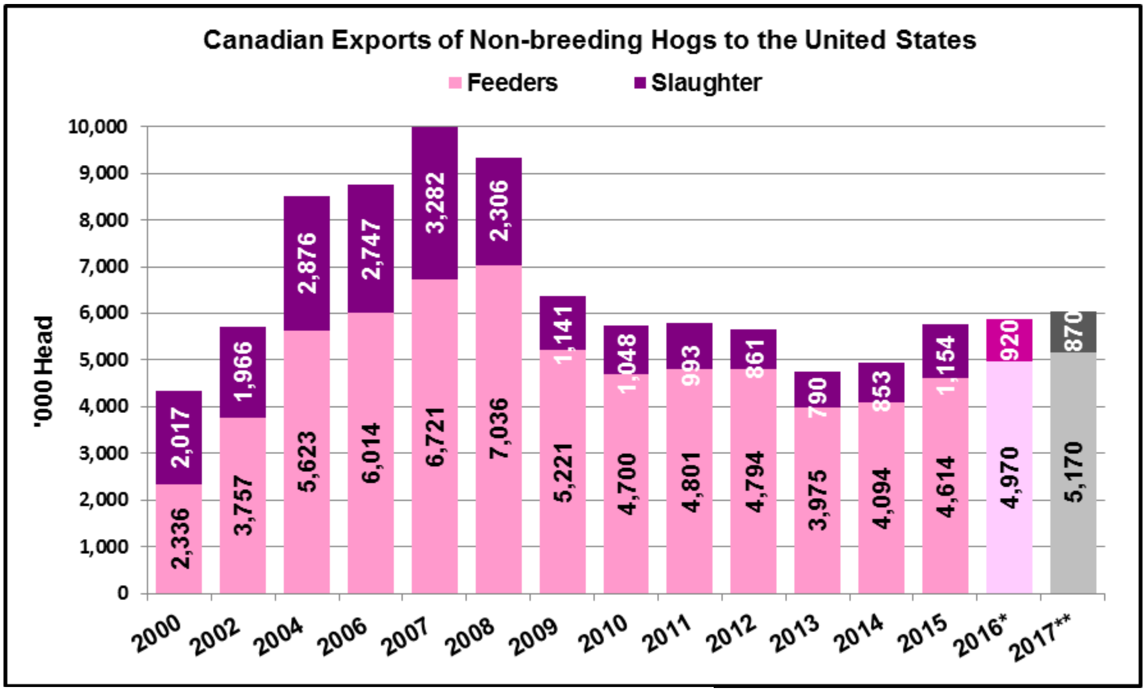


Source: Statistics Canada

In Eastern Canada, slaughter capacity is expected to rise in 2017, given recent investments announced by Quebec. These new investments will consolidate Quebec's position as the largest pork producing province. However, Quebec's hog producers have not, and are unlikely to, increase their supply in order to fully meet this additional slaughter capacity. Therefore, Ontario is likely to become increasingly integrated into Quebec's finished hog supply chain, more so than is has traditionally been in the past. Post expects that over the coming years Quebec-Ontario will emerge as one large and integrated hog and pork production region in Canada. In Ontario, while some producers of finished hogs will take advantage of these new opportunities in Quebec, other producers are expected to switch from finishing hogs to exporting weanlings. In general, Ontario is lacking sufficient slaughter capacity, after two packers closed their plants several years ago.

Live Hog Exports Steady

Post forecasts hog exports to reach 6,050,000 head in 2017, representing a 2.5 percent increase over the estimated 2016 level, which currently stands at 5,900,000 head. These hog export volumes are lower than anticipated earlier at the end of last year and the beginning of the current year. The pace of growth of the U.S. hog sector was initially thought to attract a larger number of weanlings and feeder hogs from Canada. However, as explained earlier, Canadian hog producers remain very cautious with their expansion plans and are not willing to jeopardize their improving financial situations for what in the end may turn out to be an unsustainable production level in the longer run.



*Source: Global Trade Atlas / Post *estimate **forecast*

At the same time, given the growth in pork exports, packer's demand for slaughter hogs remains very solid. It is expected that some producers in Western Canada will switch from exporting weanlings to finishing hogs for the domestic market, therefore slowing down the growth in hog exports from that part of the country. In turn, it is expected that some producers in Ontario (a province that lacks sufficient slaughter capacity) step away from finishing hogs and switch to producing weanlings for export. This would lower the volume of slaughter hogs exported and increase the number of weanling exports from Eastern Canada.

PORK:

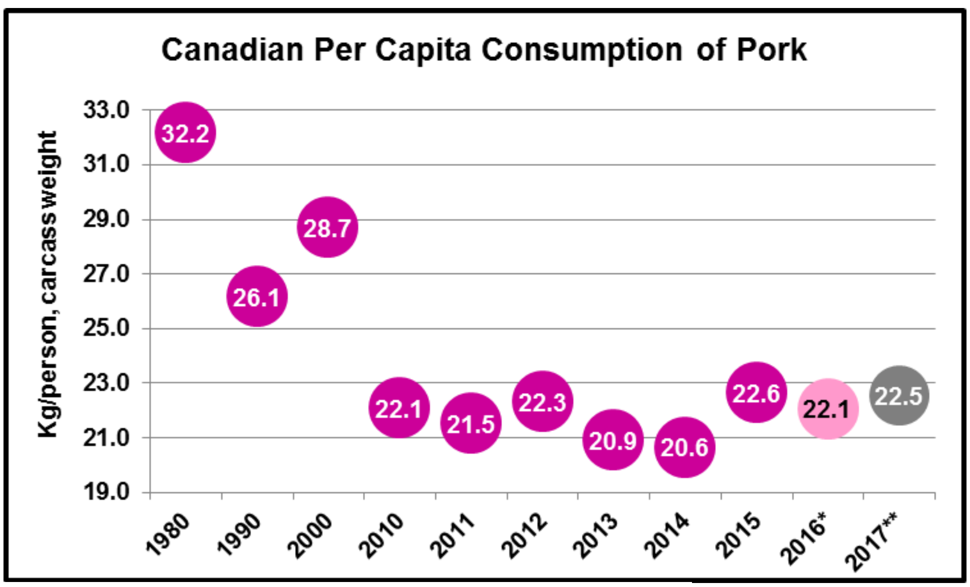
Production, Supply and Demand Estimates

CANADA Meat SWINE	2015		2016		2017	
	USDA Official Data	NEW Post Data	USDA Official Data	NEW Post Estimates	USDA Official Data	NEW Post Forecast
Slaughter (Reference)	21,350	21,348	21,450	21,650	0	21,850
Beginning Stocks	76	77	70	71	0	60
Production	1,890	1,899	1,925	1,945	0	1,980
Total Imports	216	216	210	210	0	215
Total Supply	**2,182**	**2,192**	**2,205**	**2,226**	**0**	**2,255**
Total Exports	1,236	1,239	1,250	1,300	0	1,300
Total Dom. Consumption	876	882	900	866	0	895
Ending Stocks	70	71	55	60	0	60
Total Distribution	**2,182**	**2,192**	**2,205**	**2,226**	**0**	**2,255**

NOTE: "NEW Post" data reflect author's assessments and are NOT official USDA data

Pork Production at Record Level

Post forecasts the 2017 pork production at 1,980,000 metric tons (MT), up 2 percent from the estimated 2016 volume, which now stands at 1,945,000 MT, a 2.5 percent increase over the previous year. Both these production levels represent new records for Canada, and reflect the fact that pig slaughter and carcass weights have increased and are expected to continue this trend into the coming year. Behind these higher production volumes are strong demand from export markets, particularly China, and a steady domestic demand.

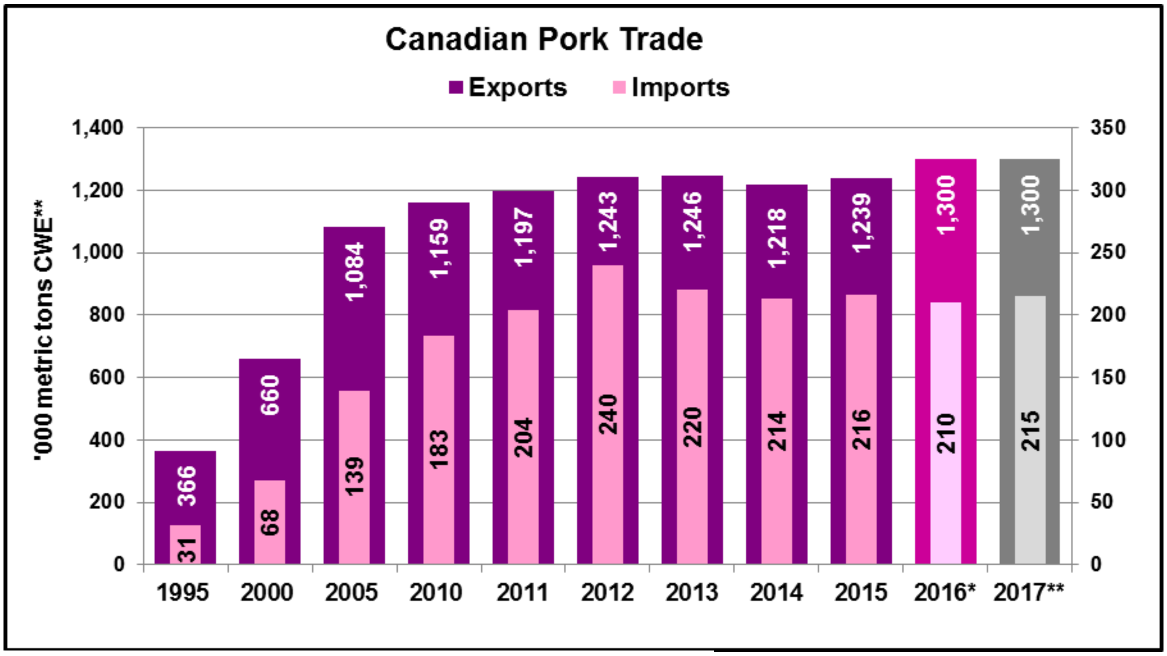


*Source: Statistics Canada / Post *estimate **forecast*

Consumer reports continue to indicate that domestic demand for pork has stayed elevated. Despite the recent increases in retail meat prices, pork has remained a relatively cheaper choice, prompting many consumers to rediscover this source of protein. Post anticipates that domestic per capita pork consumption will inch higher in 2017, to around 22.5 kg/person, up from an estimated level of 22.1 kg/person in 2016. These levels of pork consumption remain very decent and represent a clear improvement over several years ago when consumption declined to its lowest levels on record. Despite this positive trend on the domestic market, the industry continues to depend heavily on the demand from foreign markets, given that about two thirds of the Canadian pork production is exported.

Pork Exports Steady at a Record Level

Post forecasts total annual pork exports to stay at 1,300,000 metric tons (MT) in 2017, which represents the same volume estimated for exports in 2016. These volumes represent new records for Canadian pork exports, and the 2016 level represents a 5 percent increase over the previous year. The weaker Canadian dollar helped this trend, coupled with very solid demand from export markets, particularly China.



*Source: Global Trade Atlas / *Post estimate **forecast*

In 2016, China has emerged as a very large buyer of pork on international markets, and Canada took advantage immediately of this new opportunity. Canada's pork production is virtually ractopamine-free, allowing the country to quickly increase the volume of shipments to China, which already surpassed Japan to become Canada's second largest destination after the United States. However, on a year-to-date basis, pork exports to the United States have declined by nearly 8 percent.

Japan is now Canada's third export market for pork, with a steady volume, reflecting a high value mature market. On a year-to-date basis, exports to Mexico also showed increased volumes by 2 percent. However, the large volume of pork absorbed by China, resulted in lower volumes being sent to other export markets. Consequentially, most other export markets, including most Asian markets, have posted declines in volumes, on a year-to-date bases, of up to 60 percent, like in the case of Taiwan.

Canada: Pork Exports, January - June (metric tons, CWE*)							
	Quantity			% Market Share			% Change
	2014	2015	2016	2014	2015	2016	2016/2015
World	**609,299**	**598,518**	**649,117**	100.00	100.00	100.00	**8.45**
United States	194,374	242,457	223,542	31.90	40.51	34.44	- 7.80
China	51,864	33,131	165,320	8.51	5.54	25.47	399.00
Japan	114,305	121,553	120,990	18.76	20.31	18.64	- 0.46
Mexico	33,442	45,980	46,897	5.49	7.68	7.22	1.99
Korea South	20,232	25,991	20,294	3.32	4.34	3.13	- 21.92
Philippines	16,923	14,410	14,479	2.78	2.41	2.23	0.48
Australia	12,346	20,258	11,194	2.03	3.38	1.72	- 44.74
Taiwan	17,744	27,763	10,991	2.91	4.64	1.69	- 60.41
Chile	3,840	8,252	6,857	0.63	1.38	1.06	- 16.91
Hong Kong	6,415	10,683	6,091	1.05	1.78	0.94	- 42.98
New Zealand	3,841	8,094	4,850	0.63	1.35	0.75	- 40.08
Colombia	6,312	4,322	2,396	1.04	0.72	0.37	- 44.56
All other countries	127,661	35,624	15,216	20.95	5.95	2.34	-57.29

Source: Global Trade Atlas / *Conversion to carcass weight equivalent at 1.3

Post estimates pork imports in 2017 at 215,000 MT, or 5,000 MT below the previous year level, with the United States as major supplier, albeit with a declining market share. In recent years, several European Union countries have penetrated the Canadian market, as Germany and Denmark were joined by Spain and Poland in shipping ever larger volumes to Canada.

The Canadian dollar is not expected to gain any strength going into 2017, which is one of the major factors discouraging imports. Despite its huge production, in any given year Canada needs to import additional volumes of pork to provide specific meat cuts in shorter supply on the market. For 2016, Post estimates a 3 percent decline in imports to 210,000 MT, from 216,000 MT in 2015.

Canada: Pork Imports, January - June (metric tons, CWE*)							
	Quantity			% Market Share			% Change
	2014	2015	2016	2014	2015	2016	2016/2015
World	**102,000**	**105,780**	**101,912**	100.00	100.00	100.00	**- 3.66**
United States	94,803	95,760	85,529	92.94	90.53	83.92	- 10.68
Germany	2,362	2,513	3,533	2.32	2.38	3.47	40.59
Spain	738	1,270	3,139	0.72	1.20	3.08	147.15
Poland	160	1,971	2,929	0.16	1.86	2.87	48.56
Denmark	1,139	1,582	1,894	1.12	1.50	1.86	19.76
All other countries	2,798	2,684	4,888	2.74	2.54	4.80	82.12

Source: Global Trade Atlas / *Conversion to carcass weight equivalent at 1.3

POLICY

CETA

In early July 2016, the European Commission formally proposed to the Council of the European Union the signature and conclusion of the free trade agreement between the EU and Canada, known as the Comprehensive Economic and Trade Agreement (CETA). The deal was supposed to be signed in October 2016 during a Canada-EU summit. However, at this point, and after the referendum held in Great Britain over leaving the EU, it is unclear if CETA’s signature would proceed as originally intended and scheduled.

Nevertheless, should CETA be signed in October, and should it receive a green light from the Council and the consent of the European Parliament, the EU would be in the position to provisionally implement the agreement, pending parliamentary ratification from all member states. From day one, which could be as early as January 1, 2017, or any other later date, CETA’s market access provisions would be implemented, such as tariff reductions and TRQs.

As a reminder, the CETA market access for Canadian beef includes two TRQs, one of 35,000 MT (carcass weight equivalent – CWE) for fresh/chilled beef and second one of 15,000 MT (CWE) for frozen beef, with in-quota tariffs for both at zero on day one of implementation. Only beef from cattle born and raised in Canada under the hormone free protocol qualifies. The market access for pork includes a new TRQ of 75,000 MT (CWE) as well as an older product-weight based TRQ now converted into 6,000 MT (CWE), with in-quota tariffs for both at zero on day one of implementation. Only pork from hogs born and raised in Canada under the ractopamine free protocol qualifies.

Despite this market access, the EU has yet to recognize Canada’s federal red meat inspection system, specifically the use of certain anti-microbial carcass rinses in Canadian meat packing plants. Without these approvals, Canadian red meat could not be exported to the EU. While some progress has been made so far with Europe’s approval of lactic acid as an anti-microbial carcass wash, discussions continue on the approval of citric acid and peroxyacetic acid.

Mexico

In early July, Mexico announced it will fully re-open its market to Canadian beef effective October 1, 2016. According to the Canadian beef industry, fully restored access with Mexico marks the removal of one of the few remaining bovine spongiform encephalopathy (BSE) trade restrictions in the world. Prior to this, only beef from cattle under thirty months could have been exported to Mexico. The announcement also represents the final step in normalizing the Canada-Mexico beef trade, as Canada had approved Mexico for exporting beef two years earlier.